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Predatory lenders

A growing fear of foreclosure has led many to lose their property to mortgage 'rescuers'

By LISA ARSENAULT
Monitor staff

February 16, 2007 - 4:56 pm

Karl Comtois and his wife April thought they were signing a deal two years ago that would save their Manchester home from foreclosure. What they didn't realize, Comtois says, is that they were actually signing their house away to an unlicensed mortgage lender they have been battling in court ever since.

Comtois hopes he won't have to find a new home for his wife and five young children, but the company - called MAK Investments - now holds the deed to his property. Unless a court or the state banking commissioner rules the deal void because the company didn't follow proper lending procedures, Comtois will likely be evicted from his two-story colonial on the outskirts of the city.

"Dealing with this is like having another job," said Comtois, 31. "It's really hard on the family."

MAK Investments says it didn't do anything wrong. The company is trying to help homeowners facing foreclosure who don't have good enough credit to get traditional refinancing, said manager Brian Colsia. The theory, he said, is that once homeowners get the initial boost from MAK to stop the foreclosure, they are then able to turn their finances around and pay back what they owe.

"I am their only savior in that situation," Colsia said. "I've had success stories. I've had people who turned it around."

Consumer advocates and state regulators have a different view of foreclosure rescue deals. They say Comtois is one of a growing number of homeowners in New Hampshire who have sunk deeper into financial trouble by signing a last-minute agreement with a company that promised to help beat foreclosure. As the number of foreclosures has risen steadily in the past year, so has the number of deals aimed at taking advantage of consumers desperate to hang onto their homes, they say.

"Just as the housing market goes up and down, the rate of foreclosures goes up and down, and these kinds of operations swoop into states trying to rip people off," said Sarah Mattson, a staff attorney with New Hampshire Legal Assistance who has seen a spike in the number of foreclosure scam cases in the past year. "It's a risky situation when you factor in that the people facing foreclosure are really desperate to stay in their homes, so it's easy to fall for this."

The companies make lists of homeowners facing foreclosures based on auction notices in newspapers and often approach the homeowners in person with a high-interest loan, promises of services that are unnecessary or never delivered, or other tricks to convince the homeowner to sign over the title to their property, Mattson said.

In some cases, the companies use unfair and unlawful trade practices to scam homeowners who are desperate to hang onto their homes, Mattson said. In other cases, the companies don't break the law - they just offer homeowners a deal they would be better off not taking, she added. The bottom line is that homeowners facing foreclosure need to be wary of predatory lending practices and deals that sound too good to be true - particularly if the deal involves signing over the deed to their home.

"Once you sign a deed to your property and give it to someone else, they own your property," she said. "That's a really risky situation to put yourself in, even when you're facing foreclosure. There may be other options."

A consumer's nightmare

Karl Comtois, a building subcontractor, fell behind on his mortgage payments in the summer of 2005 after contractors for two big jobs failed to pay him for the work he did.

Roughly three weeks before his looming foreclosure that July, an employee of MAK Investments knocked on his door. He says he got trapped in every consumer's worst nightmare: The paperwork he signed to get himself out of a mess was not the deal he thought he was getting.

The company offered to pay what he owed his mortgage company to stop the foreclosure and help Comtois get back on his feet. Under the terms of the deal, Comtois would make monthly payments totaling the \$24,000 MAK loaned him to pay his mortgage company. At the end of the year, he would also owe MAK another \$24,000 for helping him out.

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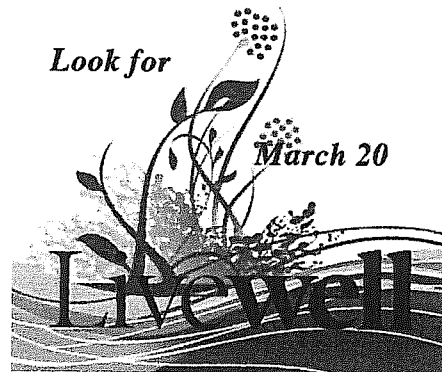
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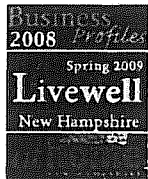
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For security on the loan, MAK required Comtois to sign a warranty deed for the property, and if he was more than five days late on any payment in that year or he failed to pay the lump sum at the end, the company would record the deed and take ownership of his property.

Single page | 1 | 2 | 3 | ►

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